



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

Release Number: **200720020**

Release Date: 5/18/07

Date: February 21, 2007

Contact Person:

4945.00-00

4945.04-04

Identification Number:

Telephone Number:

Employer Identification Number:

Legend:

B =

C =

D =

X =

Y =

Z =

Dear \_\_\_\_\_ :

This is in reference to your letter requesting advance approval of your grant procedures under section 4945(g) of the Internal Revenue Code.

The information submitted indicates you are exempt from Federal income tax under section 501(c)(3) of the Code and have been classified as a private foundation under section 509(a).

You propose to administer a scholarship program to benefit the eligible children of employees of B. You will award renewable scholarships to deserving men and women to continue their post high school education at the college, university or vocational-technical school of their choice. Any post high school dependent child or grandchild (24 years of age or younger) of a full-time, active B employee who has one year of service with B as of the application deadline may be considered for the scholarship. You will award a total of z in new scholarships. Scholarships are of x each per year to students attending a two year college or vocational training school and of y per year for those attending a four year college or university. Scholarships are renewable annually for a maximum of three years, provided the student continues full-time enrollment and achieves a 3.0 GPA on a 4.00 scale. Scholarships are for undergraduate studies only.

The selection criteria for the scholarship will include, but not be limited to, the student's demonstrated past academic performance and future potential, leadership and participation in

school and community activities, work experience, statement of career and education aspirations and goals, unusual personal or family circumstances, and an outside appraisal.

You have hired C, a program of D, to review applications, choose recipients, maintain records, and perform all necessary administrative tasks related to the program. C chooses the selection committee. No selection committee members are employees, officers or directors of you or B.

Recipients are required to file periodic reports. If a recipient files no report, or if reports indicate that the funds are not being used in furtherance of the scholarship purpose, a member of C will investigate the scholarship. While conducting this investigation, you will withhold further payments to the scholarship recipient and will take reasonable steps to recover misused scholarship funds.

C will retain all records submitted by the scholarship recipients and their educational institutions. You will obtain and maintain in your file evidence that no recipient is related to you or any members of C.

The scholarships will not be used as a means of inducement to recruit employees for B nor will a grant be terminated if the employee leaves B. Scholarships will only be awarded to students who plan to enroll in an institution that meets the requirements of section 170(b)(1)(A)(ii) of the Code. The recipient will not be restricted in his or her course of study. C will supply statistical information on applications received and grants made, which will enable you to maintain the records required by Rev. Proc. 76-47, 1976-2 C.B. 670. You will ensure compliance with the percentage tests under section 4.08 of Rev. Proc. 76-47 in the aggregate with respect to your other scholarship programs available to the same individuals.

Section 4945 of the Code provides for the imposition of taxes on each taxable expenditure of a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of section 4945(g).

Section 4945(g)(1) of the Code provides that section 4945(d)(3) shall not apply to an individual grant awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance by the Secretary, if it is demonstrated to the satisfaction of the Secretary that the grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational institution described in section 170(b)(1)(A)(ii).

Rev. Proc. 76-47, 1976-2 C.B. 670, sets forth guidelines for a private foundation conducting an employer related grant program to obtain advance approval of its procedures for conducting such a program under section 4945(g) of the Code. Sections 4.01 through 4.07 set

forth seven conditions which a private foundation must meet in order to obtain advance approval of its procedures under section 4945(g). Section 4.08 provides that a private foundation which makes scholarship awards to children of employees of a company, or to the employees themselves will meet this test if it limits these grants to 25% of all eligible applicants or 10% of all those shown to be eligible in any given year. Renewals of grants awarded in prior years will not be considered in determining the number of grants awarded in a current year.

Based upon the information submitted, and assuming your program will be conducted as proposed, with a view to providing objectivity and nondiscrimination in the awarding of scholarship grants, we rule that grants awarded under your purposed scholarship program comply with the requirements of section 4945(g)(1) of the Code. Expenditures made in accordance with these procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3) of the Code, and as such are eligible for the exclusion from income provided for in section 117(a) of the Code to the extent that such grants are actually used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

The approval of your grant-making procedures is a one time approval of your system of standards and procedures for selecting recipients of grants that meet the requirements of section 4945(g)(1) of the Code. Thus, approval will apply to succeeding grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

This ruling will be made available for public inspection under section 6110 of the Code after certain deletions of identifying information are made. For details, see enclosed Notice 437, *Notice of Intention to Disclose*. A copy of this ruling with deletions that we intend to make available for public inspection is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

This ruling is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

This ruling is based on the facts as they were presented and on the understanding that there will be no material changes in these facts. Because it could help resolved questions concerning your federal income tax status, this ruling should be kept in your permanent records.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Steven Grodnitzky  
Manager, Exempt Organizations  
Technical Group 1